EXHIBIT A

FORM 10-K

INTEL CORP - intc

Filed: February 22, 2005 (period: December 25, 2004)

Annual report which provides a comprehensive overview of the company for the past year

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EX-23.1 (Consents of experts and counsel)

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 25, 2004.

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from _____ to _____.

Commission File Number 0-06217

INTEL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**94-1672743** (I.R.S. Employer Identification No.)
2200 Mission College Boulevard, Santa Clara, California (Address of principal executive offices)	**95052-8119** (Zip Code)

Registrant's telephone number, including area code **(408) 765-8080**

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common stock, $0.001 par value

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☒ No ☐

Aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of June 25, 2004, based upon the closing price of the common stock as reported by the NASDAQ* National Market on such date, was approximately
$172.9 billion
6,227 million shares of common stock outstanding as of January 28, 2005

DOCUMENTS INCORPORATED BY REFERENCE

(1) Portions of the registrant's Proxy Statement relating to its 2005 Annual Stockholders' Meeting, to be filed subsequently—Part III

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INTEL CORPORATION

FORM 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 25, 2004

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PART I

ITEM 1. BUSINESS

Industry

We are the world's largest semiconductor chip maker, supplying advanced technology solutions for the computing and communications industries. Our goal is to be the preeminent building block supplier to the worldwide digital economy. We offer products at various levels of integration, allowing our customers flexibility to create advanced computing and communications systems and products.

Intel's products include chips, boards and other semiconductor components that are the building blocks integral to computers, servers, and networking and communications products. Our component-level products consist of integrated circuits used to process information. Our integrated circuits are silicon chips, known as semiconductors, etched with interconnected electronic switches. Developments in semiconductor design and manufacturing continue to make it possible to decrease the size of circuits and transistors etched into silicon, utilizing less space as a result. This decrease in size enables us to put increased numbers of transistors on an equivalent size chip, decrease the size of the chip or offer an increased number of integrated features. These advancements can result in higher performing microprocessors that consume less power and/or products that cost less to manufacture.

We were incorporated in California in 1968 and reincorporated in Delaware in 1989. Our Internet address is *www intel com*. On this web site, we publish voluntary reports, which are updated annually, outlining our performance with respect to corporate responsibility and environmental, health and safety compliance (these voluntary reports are not incorporated by reference into this filing). On our Investor Relations web site, located at *www intc com*, we post the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission: our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, our proxy statement on Form 14A related to our annual stockholders' meeting and any amendments to those reports or statements filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended. All such filings on our Investor Relations web site are available free of charge. The content on any web site referred to in this filing is not incorporated by reference into this filing unless expressly noted otherwise.

Products

Our products include microprocessors; chipsets; motherboards; flash memory; communications infrastructure components, including network and embedded processors; wired and wireless connectivity products; products for networked storage; application processors; and cellular baseband chipsets.

Our customers include:

- original equipment manufacturers (OEMs) and original design manufacturers (ODMs) who make computer systems, cellular handsets and handheld computing devices, and telecommunications and networking communications equipment;

- PC and network communications products users (including individuals, large and small businesses, and service providers) who buy PC components and board-level products, as well as Intel's networking and communications products, through distributor, reseller, retail and OEM channels throughout the world; and

- other manufacturers, including makers of a wide range of industrial and communications equipment.

Our primary focus is on developing advanced integrated silicon technology solutions, which we believe will provide the performance necessary to help accelerate the convergence of computing and communications capabilities with digital content. Convergence refers to having computing and communications capabilities in an integrated product solution. We also provide key components for the networking and communications infrastructure used to connect technology users.

We believe that users of computing and communications devices want improved performance, which includes faster processor performance and/or improved capabilities such as multithreading or multitasking, lower system power consumption, seamless connectivity, improved security, reliability, ease of use and interoperability among devices. Our goal is to incorporate features addressing these capabilities into our various products to meet user demands. We believe that our customers who build computing and communications systems and devices will benefit if our products incorporating these capabilities are based on a platform solution. We define a platform as a collection of silicon components and software designed to provide a better user solution when used in combination than if used separately.

For 2004, the company consisted of two product-line operating segments, the Intel Architecture business and the Intel Communications Group (ICG). Both of our operating segments use their core competencies in the design and manufacture of integrated circuits, as well as key silicon and platform capabilities, to provide building blocks for technology solutions. The Intel Architecture business provides advanced technologies to support the desktop, mobile and enterprise computing market segments. ICG offers products such as flash memory, as well as platform solutions for the wireless handheld computing and communications market segments. In addition, ICG offers wired and wireless connectivity products and key networking and communications infrastructure components. In 2004, we combined our communications-related businesses into a single organization, ICG. Previously, these communications businesses were in two separate product-line operating segments: the former Intel Communications Group and the Wireless Communications and Computing Group.

In January 2005, we announced a planned reorganization of our business groups to bring all major product groups in line with the company's strategy to drive development of complete technology platforms. These new business units include the Mobility Group, the Digital Enterprise Group, the Digital Home Group, the Digital Health Group and the Channel Platforms Group. We expect this reorganization to become effective in 2005. Because the reporting period for this Form 10-K is as of December 25, 2004, the business groups discussed below and the results of operations for our operating segments in this filing are presented under the organizational structure that existed as of December 25, 2004.

Intel Architecture Business

The Intel Architecture business develops platform solutions based on our microprocessors, chipsets and motherboard products, which we optimize for use in the desktop, mobile or server computing market segments. The end-user products into which our products are ultimately integrated are determined by our customers based on how they choose to meet specific user requirements.

Net revenue for the Intel Architecture operating segment made up approximately 85% of our consolidated net revenue in 2004. Revenue from sales of microprocessors within the Intel Architecture operating segment represented approximately 72% of consolidated net revenue in 2004. Our microprocessor business generally has followed a seasonal trend; however, there can be no assurance that this trend will continue. For the past five years, the company's sales of microprocessors were higher in the second half of the year than in the first half of the year. Consumer purchases of PCs have been higher in the second half of the year, primarily due to back-to-school and holiday demand. In addition, technology purchases from businesses have tended to be higher in the second half of the year.

A *microprocessor* is the central processing unit (CPU) of a computer system. It processes system data and controls other devices in the system, acting as the "brains" of the computer. One indicator of microprocessor performance is its clock speed, the rate at which its internal logic operates, which is measured in units of hertz, or cycles processed per second. One megahertz (MHz) equals one million cycles processed per second, and one gigahertz (GHz) equals one billion cycles processed per second. As computers continue to support increased usage models, other factors are becoming increasingly important to overall system performance. Examples include the amount of memory storage, the speed of memory access, the microarchitecture design of the CPU and the speed of communication between the CPU and the chipset. A faster bus, for example, allows for faster data transfer into and out of the processor, enabling increased performance. A bus carries data between parts of the system. A common way to categorize microprocessor design architectures is by the number of bits (the smallest unit of information on a machine) that the processor can handle at one time. Microprocessors currently are designed to process 32 bits or 64 bits of information at one time. Microprocessors with 64-bit addressing capability can address significantly more memory than 32-bit microprocessors. The Intel® Pentium®, Intel® Celeron® and Intel® Xeon™ branded products are based on our 32-bit architecture (IA-32), while Intel® Itanium® branded products are based on 64-bit architecture. Another way to provide 64-bit processing capability is for processors based on 32-bit architecture to have 64-bit address extensions. Certain of our Pentium® 4 and Intel Xeon products have 64-bit address extensions. The memory stored on a chip is measured in bytes (8 bits), with 1,024 bytes equaling a kilobyte (KB), 1,049 million bytes equaling a megabyte (MB) and 1,074 billion bytes equaling a gigabyte (GB). Cache is a memory that can be located directly on the microprocessor, permitting quicker access to frequently used data and instructions. Some of our microprocessors have additional levels of cache, second-level (L2) cache and third-level (L3) cache, to offer higher levels of performance.

Other microprocessor capabilities can also enhance system performance or user experience by running software more efficiently For example, we currently offer microprocessors with Intel's Hyper-Threading Technology (HT Technology), which allows a single processor to process two sets of instructions simultaneously This capability can provide benefits in one of two ways: it helps to run "multithreaded" software, which is designed to execute different parts of a program simultaneously, or helps to use multiple software programs simultaneously in a multitasking environment To take advantage of HT Technology, a computer system must have a microprocessor that supports the technology, a chipset and BIOS (basic input/output system) that use the technology and an operating system hat includes optimizations for the technology Performance will vary depending on the system hardware and software used

Intel began using a new naming convention for its desktop and mobile microprocessors in the second quarter of 2004, in an effort to better convey the overall feature set of a processor, beyond just clock speed Intel desktop and mobile processor brand names are now accompanied by 3-digit processor numbers that represent the technical features of the product, including design architecture, clock speed, cache size, bus speed and other technologies Over time, we expect that these processor numbers will allow end customers to more easily distinguish among individual processors by taking into account a broader set of features that contribute to the overall user experience Currently, the new processor numbers begin with a 3, 5, 6 or 7, according to the processor family to which they belong: those beginning with a 3 belong to the Intel Celeron processor family; those beginning with a 5 or 6 belong to the Intel Pentium 4 processor family; and those beginning with a 7 belong to the Intel® Pentium® M processor family In January 2005, we began shipping our 600 sequence (processor numbers that start with a 6) Pentium 4 processors featuring 2 MB of cache memory

The *chipset* operates as the PC's "nervous system"—sending data from the processor to input, display and storage devices, such as the keyboard, mouse, monitor, hard drive and CD or DVD drive Chipsets perform essential logic functions, such as balancing the performance of the system and removing bottlenecks Chipsets also extend the graphics, audio, video and other capabilities of many systems based on our processors Finally, chipsets control the access between the CPU and main memory We offer chipsets compatible with a variety of industry-accepted bus specifications, such as the Accelerated Graphics Port (AGP) specification, the Peripheral Components Interconnect (PCI) local bus specification and the new PCI Express* local bus specification. PCI Express significantly increases the data transfer rate of the original PCI specification, thereby improving the graphics and input/output bandwidth and enabling an improved multimedia experience for the digital home Our customers also want memory architecture alternatives, and as a result, we currently offer chipsets supporting Double Data Rate (DDR) and DDR2 (second-generation, faster DDR memory), Dynamic Random Access Memory (DRAM) and Synchronous DRAM (SDRAM)

A *motherboard* is the principal board within a system that has connectors for attaching devices to the bus Typically, the motherboard contains the CPU, memory and the chipset We offer motherboard products designed for our microprocessors and chipsets, thereby offering a more complete range of solutions for customers looking for Intel architecture-based solutions Board-level products give our OEM customers flexibility by enabling them to buy at the board level rather than only at the component level

In 2004, we announced a number of new microprocessor and chipset products tailored to meet the performance, price and form-factor (the physical size and shape of a device) needs of the various computing market segments Our products, including some key product introductions, are discussed below

Desktop Market Segment

We develop platform solutions based on our microprocessors, chipsets and motherboard products, which are optimized for use in the desktop market segment Our strategy is to introduce microprocessors and chipsets with improved performance, tailored to the needs of different market segments using a tiered branding approach Our desktop processors include products such as the Intel Pentium 4 processor and the Intel Celeron processor Additionally, we provide silicon-based oducts for print imaging and networked media products

In 2004, the Intel Pentium 4 processor continued to be our highest sales-volume desktop processor The Pentium 4 processor is optimized to deliver high performance across a broad range of business and consumer applications

In February 2004, we introduced the first microprocessors manufactured using our 90-nanometer (a nanometer is one billionth of a meter) process technology on 300-millimeter (12-inch) wafers These Intel Pentium 4 processors supporting HT Technology were initially available at speeds of up to 3 4 GHz. In June 2004, we added the Pentium 4 processors 520, 530, 540, 550 and 560 supporting HT Technology, with speeds of up to 3 6 GHz All of these processors feature 1 MB of L2 cache and support an 800-MHz bus

In February 2004, we also launched a 3 4–GHz version of the Intel® Pentium® 4 processor Extreme Edition, targeted at high–end PC game enthusiasts and power users It comes with 2 MB of L3 cache and supports an 800–MHz bus

In June 2004, we introduced three desktop chipsets designed to be used in conjunction with Pentium 4 processors with HT Technology. The Intel ® 915G, 915P and 925X Express chipsets have DDR2 memory capability and PCI Express, as well as Intel® High Definition Audio supporting 7.1–channel surround sound. The Intel 915G Express chipset also has the Intel® Graphics Media Accelerator 900 for improved graphics capabilities These chipsets incorporate Intel® Matrix Storage Technology, which enhances data protection for users through integrated support for redundant hard drives.

In June 2004, we introduced Intel® Celeron® D processors 320, 325, 330 and 335 for value desktop systems, with speeds of up to 2.8 GHz In September 2004, we launched the Intel® Celeron® D processor 340, with a speed of 2 93 GHz All of these processors feature 256 KB of L2 cache and support a 533–MHz bus.

In September 2004, we announced the Intel® 910GL Express chipset, which includes the PCI Express bus architecture, Intel High Definition Audio and the Intel Graphics Media Accelerator 900 The Intel Celeron D processor 340 and the Intel 910GL Express chipset bring improved performance to value PCs.

In November 2004, we launched a platform based on the 3.46–GHz Pentium 4 processor Extreme Edition supporting HT Technology and the new Intel ® 925XE Express chipset Designed specifically for high–performance gaming and media enthusiasts, the platform has a 1066–MHz bus. Like the earlier Intel 915G, 915P and 925X Express chipsets, the Intel 925XE Express chipset includes Intel High Definition Audio, fast DDR2 memory and PCI Express capabilities.

Mobile Market Segment

We develop platform solutions based on our microprocessors and chipsets, which are optimized for use in the mobile market segment. Our strategy is to deliver products optimized for some or all of the four mobility vectors: performance, battery life, form factor and wireless connectivity. Our mobile processors include products such as the Intel Pentium M processor We also offer the Mobile Intel® Pentium® 4 processor, and for the value notebook market segment we offer the Mobile Intel® Celeron® M processor and the Mobile Intel® Celeron® processor

We offer mobile processors at a variety of price/performance points, allowing our customers to meet the demands of a wide range of notebook PC designs. These notebook designs include transportable notebooks, which provide desktop–like features such as high performance, full–size keyboards, larger screens and multiple drives; thin–and–light models, including those optimized for wireless networking; and ultra–portable designs. Within the ultra–portable design category, we provide specialized low–voltage processors, which consume as little as one watt of power on average, and ultra–low–voltage processors, which consume as little as half a watt of power on average. Low–voltage processors are targeted for the mini–notebook market segment, while ultra–low–voltage processors are targeted for the sub–notebook and tablet market segments of mobile PCs weighing less than three pounds and measuring one inch or less in height.

For performance mobility users, we offer Intel® Centrino™ mobile technology, designed and optimized specifically for all four key vectors of mobility. The initial version of Intel Centrino mobile technology consisted of an Intel Pentium M processor (with a 400–MHz bus) and a chipset from the Intel ® 855 chipset family (both offered by the Intel Architecture business) as well as a wireless network connection (from ICG) that is based on the 802.11 industry standard. Intel Centrino mobile technology enables users to take advantage of wireless capabilities at work and at home, with the installation of the appropriate base station equipment, as well as at thousands of wireless "hotspots" installed around the world Hotspots provide paid or free wireless local area network (WLAN, or WiFi) service in cafés, hotels, restaurants, retail shops, airports, trains and other public meeting areas. The 802.11 communication standard refers to a family of ecifications developed for WiFi technology. These specifications describe the speed and frequency of the over–the–air interface between a wireless client and oase station, or between two wireless clients 802.11a, 802.11b and 802.11g are three different 802.11 specifications Compared to products based on 802.11b, products based on 802.11a allow for a faster exchange of data Products based on 802.11g allow for even faster exchange of data than both other forms of WiFi.

In January 2005, we introduced our next version of the Intel Centrino mobile technology platform, formerly code–named "Sonoma." The new platform adds more entertainment and business features to Intel Centrino mobile technology–based notebook PCs, along with enhanced security support and higher graphics performance The new version of Intel Centrino mobile technology includes a chipset from the Mobile Intel® 915 Express chipset family, the Intel® PRO/Wireless 2915ABG or 2200BG wireless LAN components, and the Intel Pentium M processor with model numbers up to 770. These processors support a 533–MHz bus, have 2 MB of cache, and run at speeds ranging from 1 6 GHz to 2.13 GHz. Also available for this platform are the Low Voltage Intel Pentium M processor 758 and the Ultra Low Voltage Pentium M processor 753, both supporting a 400–MHz bus

In May and June 2004, we introduced new Intel Pentium M processors built on our 90-nanometer, 300-millimeter (mm) process technology. These Intel Pentium M processors 715, 725, 735, 745 and 755 feature speeds from 1.5 GHz to 2.0 GHz, include 2 MB of L2 cache and support a 400-MHz bus. In October 2004, we added the Intel Pentium M processor 765 running at 2.1 GHz, which also features 2 MB of L2 cache and supports a 400-MHz bus.

In July 2004, we launched the Intel® Pentium® M processor Low Voltage 738 running at 1.4 GHz, the Intel® Pentium® M processor Ultra Low Voltage 733 running at 1.1 GHz and the Intel® Pentium® M processor Ultra Low Voltage 723 running at 1.0 GHz. These three processors also feature 2 MB of L2 cache and support a 400-MHz bus. In addition, we offer the Intel® Pentium® M processor Low Voltage running at 1.3 GHz and the Intel® Pentium® M processor Ultra Low Voltage running at 1.1 GHz. These two processors support a 400-MHz bus and include 1 MB of L2 cache.

In June 2004, we introduced the Mobile Intel Pentium 4 processors 518, 532 and 538 with speeds of up to 3.2 GHz, designed for portable PC users who want systems with near-desktop features. In September 2004, we launched the Mobile Intel Pentium 4 processor 548, with a speed of 3.33 GHz. All of these processors are built using 90-nanometer process technology, support HT Technology, include 1 MB of L2 cache and support a 533-MHz bus.

In addition, for the mobile value market segment, we offer the Intel® Celeron® M processor and the Mobile Intel Celeron processor. In 2004, we introduced several versions of the Intel Celeron M processor for mobile PCs with speeds of up to 1.5 GHz. Two of these, the Intel Celeron M processors 350 and 360, are built using our 90-nanometer process technology. We also introduced Intel® Celeron® M processors Ultra Low Voltage at speeds of up to 900 MHz. All of these versions of the Intel Celeron M processor support a 400-MHz bus, have 512 KB of L2 cache and offer power management features designed to lengthen battery life.

Enterprise Market Segment

We develop platform solutions based on our microprocessors, chipsets and motherboard products that are optimized for use in the enterprise market segment. Our strategy is to provide processors and chipsets with improved performance, which includes advanced technology features, as well as competitive price for performance for entry-level to high-end servers and workstations. Servers are systems, often with multiple microprocessors working together, that manage large amounts of data, direct traffic, perform complex transactions and control central functions in local and wide area networks and on the Internet. Workstations typically offer higher performance than standard desktop PCs, and are used for applications such as engineering design, digital content creation and high-performance computing, among other applications. Our Intel Xeon processor family of products supports a wide range of entry-level to high-end technical and commercial computing applications for both the workstation and server market segments.

The Intel Xeon processor is designed for two-way servers, also known as dual-processing (DP) servers, and workstations. This product line, based on our IA-32 architecture, was enhanced in 2004 with Intel® Extended Memory 64 Technology. This technology enables support of both 32-bit and 64-bit operating systems and applications. These processors are available for both workstations and DP servers. For servers based on four or more processors, also known as multiprocessing (MP) servers, we offer the Intel® Xeon™ processor MP with HT Technology. Our Intel® Itanium® processor family, which is based on 64-bit architecture and includes the Intel® Itanium® 2 processor, generally supports an even higher level of computing performance for data processing, the handling of high transaction volumes and other compute-intensive applications for enterprise-class servers, as well as supercomputing solutions.

In March 2004, we introduced the Intel Xeon processor MP at 3.0 GHz. It features 4 MB of L3 cache and is designed for mid-tier and back-end servers based on four or more processors. We also introduced the Intel Xeon processor MP running at 2.2 GHz and 2.7 GHz with 2 MB of L3 cache.

In June 2004, we introduced several new Intel Xeon processors that incorporate Intel Extended Memory 64 Technology and are manufactured on our 90-nanometer, 300mm process technology. These processors are available for both workstations and DP servers, and feature enhanced HT Technology to improve the performance of multithreaded applications. These processors also support Demand-Based Switching technology to reduce overall power consumption within data centers. These processors are available in speeds ranging from 2.8 GHz to 3.6 GHz.

Also in 2004, we introduced the Intel® E7525 chipset for Intel Xeon processor-based workstation platforms. The new chipset has an 800-MHz bus, supports DDR2 memory technology, and integrates several new technologies, including PCI Express, that help eliminate system bottlenecks by balancing performance between the processor, input/output and memory. Workstation platforms based on Intel Xeon processors and the new Intel E7525 chipset feature higher performance and lower power consumption than previous generations of Intel Xeon processor-based workstation platforms.

In August 2004, we launched new server platforms based on the 64-bit Intel Xeon processor at 3.6 GHz. These DP-capable platforms include the new Intel® E7520 and Intel® E7320 chipsets, which support DDR2 memory capability and feature an 800-MHz bus and PCI Express, as well as the new Intel® 332 Storage I/O Processor, which improves storage performance over previous generations.

In October 2004, we unveiled the Low Voltage Intel Xeon processor 2.8 GHz, supporting an 800-MHz bus. Featuring Intel Extended Memory 64 Technology, his processor is aimed specifically at storage applications, such as controllers for storage networks.

In April 2004, we broadened the Itanium 2 processor family with a 1.4-GHz processor, followed by a 1 6-GHz version in May 2004. Both processors feature 3 MB of L3 cache and are designed to enable affordable DP systems.

In November 2004, we further enhanced the Itanium 2 processor lineup with six new processors for MP, DP and low-voltage (LV) systems. The 1 6-GHz Itanium 2 processor MP features 9 MB or 6 MB of L3 cache. The 1 5-GHz Itanium 2 processor MP has 4 MB of L3 cache, and the Itanium 2 processor DP at 1 6 GHz has 3 MB of L3 cache and is available with support for a 400- or 533-MHz bus. Finally, the Itanium 2 processor LV at 1 3 GHz features 3 MB of L3 cache and is optimized for low-cost systems with dense form factors.

Intel Communications Group

Within ICG, we are focused on developing component-level products for the wireless handheld computing and communications market segments. These products include flash memory, applications processors and cellular baseband chipsets. We also are developing products that we believe will help continue to build out the Internet. These products include communications infrastructure components, including network and embedded processors; wired and wireless connectivity products; and networked storage components.

Net revenue for ICG made up approximately 15% of our consolidated net revenue in 2004. Revenue from sales of flash memory within ICG represented approximately 7% of consolidated net revenue in 2004.

Flash Memory

Flash memory is a specialized type of memory component used to store user data and program code; it retains this information even when the power is off. Flash memory is based on either NOR or NAND architectures. Our flash memory is based on the NOR architecture. NOR flash memory, with its fast "read" capabilities, has traditionally been used to store executable code. NAND flash memory, which is slower in reading data but faster in writing data, has traditionally been used in products that either required large storage capacity or fast write applications, such as MP3 music players, memory cards and digital cameras. In addition to having offerings that meet the needs of cellular customers, we offer flash memory products that meet the needs of other market segments, such as the broad market segment. The broad market segment includes flash memory products found in various applications, including set-top boxes, networking products and other devices such as DVD players and DSL/cable modems.

Intel StrataFlash® Wireless Memory technology allows two bits of data to be stored in each memory cell, for higher storage capacity and lower cost. It is available in Intel stacked chip-scale packaging and is being developed in Intel ultra-thin stacked chip-scale packaging. This technology allows up to five ultra-thin memory chips to be stacked in one package, delivering greater memory capacity and lower power consumption in a smaller package. With heights as low as 1 0mm, the package allows manufacturers to increase memory density and provide features such as camera capabilities, games and e-mail in relatively thin cell phones. Our higher density flash products generally incorporate stacked Static Random Access Memory (SRAM), which we purchase from third-party vendors.

Application Processors and Components for Handheld Computing and Communications Devices

In application processing, products based on Intel XScale® technology provide the processing capability in data-enabled mobile phones and PDAs.

In April 2004, we introduced the Intel® PXA27x family of application processors. Designed for advanced cell phones and PDAs, the processors integrate Intel® Wireless MMX™ technology for advanced 3D gaming and video, along with Wireless Intel SpeedStep® Power Manager technology for longer battery life. This processor family is available in a range of clock speeds, from 312 MHz to 624 MHz, and with as much as 64 MB of stacked Intel StrataFlash memory. The Intel® 2700G multimedia accelerator, optimized to complement the Intel PXA27x processor family, is designed to deliver advanced video and graphics capabilities to enable full-screen video at full frame rates without sacrificing battery life.

We are working toward the convergence of computing and communications in the mobile handheld computing market segment by developing technology that combines baseband communications features with memory and application processing functionality. Our "system-in-a-package" processors, which are designed for PDAs, feature an Intel XScale technology-based processor stacked directly on top of Intel StrataFlash memory chips in a single package. With stacked packaging, manufacturers of handheld devices can decrease the size of the form factor, as well as help reduce their time-to-market.

We offer baseband chipsets for multi-mode, multi-band wireless handsets. These chipsets support multiple wireless standards and deliver enhanced voice quality and high-integration capability, with optimized power consumption.

Communications Infrastructure Products

Our communications infrastructure components include products such as network and embedded processors, as well as optical components. In network processing, we deliver products that are basic building blocks for modular communications platforms. These products include advanced, programmable processors used in networking equipment to rapidly manage and direct data moving across the Internet and corporate networks. We also offer embedded processors that can be used for modular communications platform applications as well as for industrial equipment and point-of-sale systems.

Unlike proprietary system platforms, modular communications platforms are standards-based solutions that offer network infrastructure builders flexible, low-cost, faster time-to-market options for designing their networks. Our network processor products are based on the Intel® Internet Exchange Architecture (Intel® IXA). At the core of Intel IXA is the Intel XScale microarchitecture, which offers low power consumption and high-performance processing for a wide range of Internet devices.

In October 2004, we announced the Intel® IXP460, Intel® IXP465, Intel® IXP2325 and Intel® IXP2350 network processors. These products are designed for traditional communications applications and for the emerging embedded networking segment. The Intel IXP2325 and Intel IXP2350 processors are Intel's first network processors built using our 90-nanometer process technology.

For embedded processors, our product families include the Intel Celeron and Intel® Pentium® III processors, the Intel Pentium M processor, the Mobile Intel® Pentium® 4 Processor-M and the Intel Pentium 4 processor. We also offer Intel Xeon processors with HT Technology, providing increased performance for wireless infrastructure equipment.

In June 2004, we introduced the Intel Pentium M processor 745 for the communications infrastructure, designed for a range of wireline and wireless infrastructure solutions, as well as Advanced Telecommunications Architecture* (ATCA*) board designs. ATCA is a modular communications platform solution for building standards-based wireless base station equipment and high-speed interconnect technologies such as PCI Express and Advanced Switching.

Wired and Wireless Connectivity Products

Ethernet is an industry-standard technology used to translate and transmit data in packets across networks. As Ethernet has expanded from the traditional local area network (LAN) environment into the wireless LAN (WLAN), metropolitan area network (MAN) and networked storage market segments, we have expanded our product portfolio to address these other market segments. For the MAN market segment, we offer products at multiple levels of integration to provide a low-cost solution with increased speed and signal transmission distance (commonly referred to as "reach"). Gigabit Ethernet networks allow the transmission of one billion individual bits of information per second, and 10-Gigabit Ethernet networks transmit 10 billion bits of information per second. By contrast, Fast Ethernet networks transmit 100 million bits of information per second (Mbps, or megabits per second).

In May 2004, we introduced a 10-Gigabit Ethernet adapter for servers, the Intel® PRO/10GbE SR Server Adapter, designed to lower the costs of setting up a scalable, networked data center.

In January 2004, we introduced the Intel PRO/Wireless 2200BG Network Connection, a dual-mode product supporting the 802.11b and 802.11g forms of WiFi. In August 2004, we introduced the Intel® PRO/Wireless 2915ABG Network Connection, which supports all three current forms of WiFi: 802.11a, b and g. Support for these three wireless technologies enables notebook PCs based on Intel Centrino mobile technology to establish wireless connections with all currently available WiFi network types.

Networked Storage

In the networked storage market segment, we offer products that allow storage resources to be added in either of the two most prevalent types of storage networks: Ethernet or Fibre Channel.

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Manufacturing and Assembly and Test

As of year-end 2004, nearly 70% of our wafer manufacturing, including microprocessor, chipset, flash memory and communications silicon fabrication, was conducted within the U.S. at our facilities in New Mexico, Oregon, Arizona, Massachusetts, California and Colorado. Outside the U.S., more than 30% of our wafer manufacturing, including wafer fabrication for microprocessors, chipsets, flash memory and networking silicon, was conducted at our facilities in Ireland and Israel.

As of December 2004, we manufactured our products in the wafer fabrication facilities described in the following table:

Products	Wafer Size	Process Technology	Locations
Microprocessors	300mm	90nm	New Mexico, Oregon, Ireland
Microprocessors and chipsets	200mm	130nm	Oregon, Arizona, Massachusetts, California
Flash memory	200mm	130nm	New Mexico, Ireland
Chipsets, flash memory and other products	200mm	180nm, 250nm, 350nm	New Mexico, Israel, Colorado, Ireland

In 2004, we continued to transition our microprocessor manufacturing from 200mm (8-inch) wafers to 300mm (12-inch) wafers. As of year-end 2004, the majority of our microprocessors were manufactured on 300mm wafers. The conversion to 300mm wafers allows for more efficient use of our capital investment in equipment by providing more than twice as many equivalent chips per wafer as 200mm wafers. We currently expect two additional facilities to begin wafer fabrication on 300mm wafers in the second half of 2005 or the first half of 2006.

As of year-end 2004, the majority of our microprocessors were manufactured using our 90-nanometer process technology. The 90-nanometer process technology is our most advanced high-volume production process featuring structures smaller than the size of a virus, the world's smallest microorganism. As we move to each succeeding generation of manufacturing process technology, we incur significant start-up costs to get each factory ready for high-volume manufacturing. However, continuing to advance our process technology provides added benefits that we believe justify these costs. These benefits can include utilizing less space per transistor, which enables us to put more transistors on an equivalent size chip, decreasing the size of the chip or allowing us to offer an increased number of integrated features. These advancements can result in higher performing microprocessors, products that consume less power and/or products that cost less to manufacture. To augment capacity in the U.S. and internationally, we use subcontractors (foundries) to manufacture wafers for certain components, including networking and communications products.

We primarily use subcontractors to manufacture board-level products and systems, and purchase certain communications networking products from external vendors, primarily in the Asia-Pacific region. We also manufacture microprocessor- and networking-related board-level products, primarily in Malaysia.

Following manufacture, the majority of our components are subject to assembly in several types of packaging, and to testing. We perform a substantial majority of our components assembly and test at facilities in Malaysia, the Philippines, China and Costa Rica. We plan to continue to invest in new assembly and test technologies and facilities to keep pace with our microprocessor, chipset, flash memory and communications technology improvements. To augment capacity, we use subcontractors to perform assembly of certain products, primarily flash memory, chipsets and networking and communications products. Our performance expectations for business integrity, ethics, and environmental, health and safety compliance are the same regardless of whether our supplier and subcontractor operations are based in the U.S. or elsewhere. Our employment practices are consistent with, and we expect our suppliers and subcontractors to abide by, local country law. In addition, we impose a minimum employee age requirement regardless of local law.

We have thousands of suppliers, including subcontractors, providing our various materials and service needs. We set expectations for supplier performance and reinforce those expectations with periodic assessments. We communicate those expectations to our suppliers regularly and work with them to implement improvements when necessary. We seek, where possible, to have several sources of supply for all of these materials and resources, but we may rely on a single or limited number of suppliers, or upon suppliers in a single country. In those cases, we develop and implement plans and actions to reduce the exposure that would result from a disruption in supply.

Our products typically are produced at multiple Intel facilities at various sites around the world, or by subcontractors who have multiple facilities. However, some products are produced in only one Intel or subcontractor facility, and we seek to implement actions and plans to reduce the exposure that would result from a disruption at any such facility.

Manufacturing and assembly and test of integrated circuits is a complex process. Normal risks include errors and interruptions in the production process, defects in raw materials and disruptions at supplier locations, as well as other risks, all of which can affect the timing of the production ramps and yields. A substantial decrease in yields would result in higher costs and the possibility of not being able to produce sufficient volume to meet specific product demand. A substantial increase in yields could result in higher inventory levels and the possibility of resulting excess capacity charges as we slow production to reduce inventory levels In addition, higher yields, as well as other factors, can decrease overall unit costs and may cause us to revalue our existing inventory on certain products to their ower replacement cost, which would impact our gross margin in the quarters in which this revaluation occurs.

We operate globally, with sales offices and research and development, manufacturing and assembly and test facilities in many countries, and, as a result, we are subject to risks and factors associated with doing business outside the U.S. Global operations involve inherent risks that include currency controls and fluctuations, tariff and import regulations, and regulatory requirements that may limit our or our customers' ability to manufacture, assemble and test, design, develop or sell products in particular countries. As part of our site-selection due diligence processes, we assess several criteria, which include the property's physical characteristics or constructability, local utility infrastructure, transportation capability, availability of technical workforce, construction and supplier capabilities, permitting requirements and investment conditions. Employment practices and labor rights issues are incorporated in the diligence. Evaluations also include ratings for security concerns, which include corruption, terrorism, crime and political instability. Security concerns alone are sufficient to remove projects from consideration. Regardless of these efforts, if terrorist activity, armed conflict, civil or military unrest, or political instability occurs in the U S., Israel or other locations, such events may disrupt production, logistics, security and communications, and could also result in reduced demand for Intel's products. The impacts of major health concerns or possible infrastructure disruptions, such as large-scale outages or interruptions of service from utilities or telecommunications providers, on Intel, its suppliers, customers or other third parties, could also adversely affect our business and impact customer order patterns. Business continuity could also be affected if labor issues disrupt our transportation arrangements or those of our customers or suppliers. On a worldwide basis, we regularly review our key infrastructure, systems, services and suppliers, both internally and externally, to seek to identify significant vulnerabilities as well as areas of potential business impact if a disruptive event were to occur. Once identified, we assess the risks, and as we consider them to be appropriate, we initiate actions intended to reduce the risks and their potential impact. However, there can be no assurance that we have identified all significant risks or that we can mitigate all identified risks with reasonable effort.

We maintain a program of insurance coverage for various types of property, casualty and other risks. We place our insurance coverage with various carriers in numerous jurisdictions. The policies are subject to deductibles and exclusions that result in our retention of a level of risk on a self-insurance basis. The types and amounts of insurance obtained vary from time to time and from location to location depending on availability, cost and our decisions with respect to risk retention. Our worldwide risk and insurance programs are regularly evaluated to seek to obtain the most favorable terms and conditions.

For information regarding environmental matters and proceedings related to certain facilities, see "Compliance with Environmental, Health and Safety Regulations" below in this Item and "Legal Proceedings" in Part I, Item 3 of this Form 10-K.

Research and Development

We remain committed to investing in world-class technology development, particularly in the area of the design and manufacture of integrated circuits. Our research and development (R&D) activities are directed toward developing the technology innovations, primarily at the silicon level, that we believe will deliver the next generation of usage models and products. In particular, we are focused on advanced computing, communications and wireless technologies. Our R&D activities in these areas are increasingly centered around platforms. In addition, we continue to invest in new manufacturing, packaging and testing processes, as well as improving existing products and reducing costs. We believe that we are well positioned in the technology industry to help drive innovation, foster ollaboration and promote industry standards that will yield innovative and improved technologies for users.

Our R&D model is based on a global, decentralized organization that emphasizes a collaborative approach in identifying and developing new technologies, leading standards initiatives and influencing regulatory policy to accelerate the adoption of new technologies. Our R&D initiatives are performed by various business groups within the company, and we align and prioritize these initiatives across these business groups. We also work with a worldwide network of academic and industry researchers, scientists and engineers in the computing and communications fields. A decentralized network of technology professionals allows us, as well as others in our industry, to benefit from development initiatives in a variety of areas, eventually leading to innovative technologies for users.

We perform a substantial majority of our design and development of semiconductor components and other products in the U.S. Outside the U.S., we have been increasing our product development, and we have activities at various locations, including Israel, India, Malaysia, China and Russia. We also maintain R&D facilities in the U.S. that are focused on developing and improving manufacturing processes, as well as facilities in the U.S., Malaysia and the Philippines that are dedicated to improvements in assembly and test processes.

We are focusing our R&D efforts on delivering the next generation of microprocessors and on the advancement of our manufacturing process technology. Future generations of our microprocessors are expected to feature two or more processor cores on a single chip, rather than just one microprocessor core. These dual- and multi-core processors are expected to complement our efforts to enable more capabilities, performance and flexibility for users beyond processor speed. Our leadership in silicon technology has allowed us to continue to deliver on the promise of "Moore's Law" (doubling the number of transistors on a chip every couple of years), and also to help expand Moore's Law, by bringing new capabilities into silicon and producing new products optimized for a wider variety of applications. We are currently manufacturing the majority of our microprocessors using 90-nanometer process technology. Our 65-nanometer process technology is currently in development, and we expect to begin manufacturing products using 65-nanometer process technology in 2005. We are also working to increase the size of the cache memory in our microprocessor products. Larger cache memory allows for faster system performance at equivalent processor speeds by allowing faster data retrieval for applications that can effectively use additional cache memory.

In addition, we believe that system security and reliability features at the hardware level will facilitate an enhanced computing experience for users, and we are working to provide these capabilities in future products. In line with these efforts, in January 2005, we announced that we are accelerating the introduction of our technology code-named "Vanderpool" for desktop platforms. Vanderpool is a virtualization technology that allows a platform to run multiple operating systems and applications in independent partitions, and will complement our upcoming introduction of dual-core processors later in 2005. To take advantage of the benefits of Vanderpool, a computer system must have a microprocessor that supports the technology, a chipset and BIOS that use the technology, an operating system that includes optimizations for the technology and software applications enabled for the technology. Some of these other features and applications are currently being developed by third parties.

We also have R&D initiatives in the wireless, networking and communications product areas. Our communications initiatives are focused on delivering the technologies that will enable an advanced wireless platform, including 802.16 products (WiMax). WiMax is a wireless broadband access technology that is expected to enable broadband wireless access as an alternative to existing "last mile" methods such as cable and digital subscriber lines (DSL).

We do not expect that all of our product development projects will result in products that are ultimately released for sale. We may terminate product development before completion or decide not to manufacture and sell a developed product for a variety of reasons. For example, we may decide that a product might not be sufficiently competitive in the relevant market segment, or for technological or marketing reasons, we may decide to offer a different product instead.

Our expenditures for R&D were $4.8 billion in fiscal 2004, $4.4 billion in fiscal 2003 and $4.0 billion in fiscal 2002. We increased the number of our employees engaged in R&D to approximately 25,000 in December 2004 compared to approximately 23,000 in December 2003.

Employees

As of December 25, 2004, we employed approximately 85,000 people worldwide, with approximately 60% of these employees located in the U.S.

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Sales and Marketing

Most of our products are sold or licensed through sales offices located near major concentrations of users, throughout the Americas, Europe, Asia-Pacific and Japan. Our business relies on continued sales growth in emerging markets and continued business and consumer investment in technologies that use our products in mature markets.

Sales agreements typically contain standard terms and conditions covering matters such as pricing, payment terms and warranties, as well as indemnities for issues specific to our products, such as patent and copyright indemnities. From time to time, we may enter into additional agreements with customers covering, for example, changes from our standard terms and conditions, new product development and marketing, private-label branding and other matters. Sales of particular products are generally conducted with purchase orders issued under the sales agreements. Most of Intel's sales are made using electronic and web-based processes that allow the customer to review inventory availability and to track the progress of specific goods under order. Pricing on particular products may vary based on volumes ordered and other factors.

We sell our products to OEMs and ODMs. ODMs provide design and/or manufacturing services to branded and unbranded private-label resellers. We also sell our products to industrial and retail distributors. In 2004, Dell Inc. accounted for approximately 19% of our total sales, and Hewlett-Packard Company accounted for approximately 16% of our total sales. A substantial majority of the sales to these customers consisted of products from our Intel Architecture business. No other customer accounted for more than 10% of our total revenue. For information about revenue and operating profit by operating segments and revenue from unaffiliated customers by geographic region/country, see "Note 19: Operating Segment and Geographic Information" in Part II, Item 8 of this Form 10-K and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of this Form 10-K.

Typically, distributors handle a wide variety of products, including those that compete with our products, and fill orders for many customers. Most of our sales to distributors are made under agreements allowing for price protection on unsold merchandise and a right of return on stipulated quantities of unsold merchandise. We also utilize third-party sales representatives who generally do not offer directly competitive products but may carry complementary items manufactured by others. Sales representatives do not maintain a product inventory; instead, their customers place orders directly with us or through distributors.

Our worldwide reseller sales channel consists of thousands of indirect customers who are systems builders and purchase Intel microprocessors and other products from our distributors. These systems builders receive various levels of technical and marketing services and support directly from Intel. We have a "boxed processor program" that allows distributors to sell Intel microprocessors in small quantities to these systems-builder customers; boxed processors are also made available in direct retail outlets.

Our global marketing strategy is designed to associate our brands with advanced technology and innovation. The Intel ® brand is intended to represent technology leadership, innovation, quality and reliability. Our product brands include Itanium, Intel Xeon, Pentium, Celeron and Intel Centrino, which are all part of our ingredient brand family. We promote brand awareness and generate demand through our own direct marketing as well as co-marketing programs. Our direct marketing activities include television, print and web-based advertising, as well as press relations, consumer and trade events, and industry and consumer communications. Currently, our direct marketing to the consumer focuses on the digital home and building awareness and demand for new usage models and capabilities. Our marketing directed toward businesses focuses on our continuing to deliver technologies designed for performance and reliability to enterprise and small to midsize businesses.

Purchases by customers often allow them to participate in cooperative advertising and marketing programs such as the Intel Inside ® program. Through the Intel side program, certain customers are licensed to place Intel Inside logos on computers containing our microprocessors and our other technology, and to use our ands in advertisements. The program includes a market development component that accrues funds based on purchases and partially reimburses the OEMs for advertisements for products featuring the Intel Inside brand, subject to the OEMs meeting defined criteria. This program broadens the reach of our brands beyond the scope of our own direct advertising. Additionally, our reseller sales channel marketing programs are intended to extend the Intel Inside brand reach to channel customers and the businesses and individuals that purchase computer systems from them.

Our products are typically shipped under terms that transfer title to the customer, even in arrangements for which the recognition of revenue on the sale is deferred. The sales agreements typically provide that payment is due at a later date, generally 30 days after shipment, delivery or the customer's use of the product. Our credit department sets accounts receivable and shipping limits for individual customers for the purpose of controlling credit risk to Intel arising from outstanding account balances. We assess credit risk through quantitative and qualitative analysis, and from this analysis, we establish credit limits and determine whether we will seek to use one or more credit support devices, such as obtaining some form of third-party guaranty or standby letter of credit, or obtaining credit insurance for all or a portion of the account balance. Credit losses may still be incurred due to bankruptcy, fraud or other failure.

of the customer to pay. See "Schedule II—Valuation and Qualifying Accounts" on page 85 of this Form 10-K for information about our allowance for doubtful receivables.

Backlog

We do not believe that a backlog as of any particular date is indicative of future results. Our sales are made primarily pursuant to standard purchase orders for delivery of standard products. We have some agreements that give a customer the right to purchase a specific number of products during a specified time period. Although these agreements do not generally obligate the customer to purchase any particular number of such products, some of these agreements do contain billback clauses. Under these clauses, customers who do not purchase the full volume agreed upon are liable for billback on previous shipments up to the price appropriate for the quantity actually purchased. As a matter of industry practice, billback clauses are difficult to enforce. The quantities actually purchased by the customer, as well as the shipment schedules, are frequently revised during the agreement term to reflect changes in the customer's needs. In light of industry practice and our experience, we do not believe that such agreements are meaningful for determining backlog amounts. We believe that only a small portion of our order backlog is non-cancelable and that the dollar amount associated with the non-cancelable portion is not significant.

Competition

As part of our overall strategy to compete in each relevant market segment, we use our core competencies in the design and manufacture of integrated circuits and our financial resources, global presence and brand recognition. Also, under our Intel Capital program, we make equity investments in companies around the world to further our strategic objectives and support our key business initiatives. Our products compete, to varying degrees, on the basis of performance (which includes features that can enhance the user experience), quality, brand recognition, price and availability. Our ability to compete also depends on our ability to provide innovative platform solutions and worldwide support for our customers.

The semiconductor industry is characterized by rapid advances in technology and new product introductions. As unit volumes grow, production experience is accumulated and costs decrease, further competition develops, and as a result, prices decline. The life cycle of our products is very short, sometimes less than a year. Our ability to compete depends on our ability to improve our products and processes faster than our competitors, anticipate changing customer requirements, and develop and launch new products, while reducing our costs. When we believe it is appropriate, we will take various steps, including introducing new products and platform solutions, discontinuing older products, reducing prices, and offering rebates and other incentives, to increase acceptance of our latest products and to be competitive within each relevant market segment. Our products compete with products developed for similar or rival architectures and with products based on the same or rival technology standards. We cannot predict which competing technology standards will become the prevailing standards in the market segments in which we compete.

Many companies compete with us in the various computing, networking and communications market segments, and are engaged in the same basic fields of activity, including research and development. Worldwide, these competitors range in size from large, established, multinational companies with multiple product lines to smaller companies and new entrants to the marketplace that compete in specialized market segments. In some cases, our competitors are also our customers and/or suppliers. With the convergence in computing and communications products, product offerings will continue to cross over into multiple categories, offering us new opportunities but also resulting in more competition. In markets where our competitors have established products and brand recognition, it may be inherently difficult for us to compete against them.

Most of our products, including all of our Intel architecture microprocessors and chipsets, as well as our flash memory and embedded processors within ICG, are built in our own manufacturing facilities. We believe that our network of manufacturing facilities and assembly and test facilities gives us a competitive advantage. This network enables us to have more direct control over our processes, quality control, product cost, volume and timing of production, and other factors. These types of facilities are very expensive, and many of our competitors do not own such facilities because they cannot afford to do so or because their business models involve the use of third-party facilities for manufacturing and assembly and test. These "fabless semiconductor companies" include Broadcom Corporation, NVIDIA Corporation, QUALCOMM Incorporated and VIA Technologies, Inc. Some of our competitors own portions of such facilities through investment or joint-venture arrangements with other companies. There is a group of third-party manufacturing companies (foundries) and assembly and test subcontractors that offer their services to companies without owned facilities or companies needing additional capacity. These foundries and subcontractors may also offer to our competitors intellectual property, design services, and other goods and services. Competitors who outsource their manufacturing and assembly and test operations can significantly reduce their capital expenditures.

We plan to continue to cultivate new businesses and work with the computing and communications industries through standards bodies, trade associations, OEMs, ODMs, and independent software and operating system vendors to align the industry to offer products that take advantage of the latest market trends and usage models. These efforts include helping to create the infrastructure for wireless network connectivity. We are also working with these industries to develop software applications and operating systems that take advantage of our microprocessors, chipsets and other next-generation semiconductor devices with higher performance. We frequently participate in industry initiatives designed to discuss and agree upon technical specifications and other aspects of technologies that could be adopted as standards by standards-setting organizations. Our competitors may also participate in the same initiatives, and our participation does not ensure that any standards or specifications adopted by these organizations will be consistent with our product planning.

Companies in the semiconductor industry often rely on the ability to license patents from each other in order to compete in today's markets. Many of our competitors have broad cross-licenses or licenses with us, and under current case law, some such licenses may permit these competitors to pass our patent rights on to others. If one of these licensees becomes a foundry, our competitors might be able to avoid our patent rights in manufacturing competing products. In addition to licensing our patents to competitors, our participation in industry initiatives may require us to license our patents to other companies that adopt certain industry standards or specifications, even when such organizations do not adopt standards or specifications proposed by Intel. Any Intel patents implicated by our participation in such initiatives might not, in some situations, be available for us to enforce against others who might be infringing those patents. We cannot be assured that the patents and licenses on our products will be honored in all regions in which we compete. In various geographies where our business is growing, we have no assurance about the scope of rights that we can enforce against others, or that others may assert against us. In addition, in certain regions, governments may adopt regulations or courts may render decisions requiring compulsory licensing of intellectual property to others, or requiring that products meet specified standards that serve to favor local companies, negatively impacting Intel's ability to achieve an economic return for its innovation and investment.

Intel Architecture Business

We continue to be largely dependent on the success of our microprocessor business. Many of our competitors, including Advanced Micro Devices, Inc. (AMD), our primary microprocessor competitor, market software-compatible products that are intended to compete with Intel architecture-based processors. We also face competition from companies offering rival microprocessor designs, such as International Business Machines Corporation (IBM), which supplies microprocessors to Apple Computer, Inc. IBM is also jointly developing a rival architecture design with Sony Corporation and Toshiba Corporation. We currently offer desktop, mobile and server microprocessor products based on our 32-bit architecture; enterprise-class servers and supercomputing product offerings based on 64-bit architecture; and workstation and server solutions based on the IA-32 architecture with 64-bit extension technology that are able to run both 32-bit and 64-bit software applications. AMD offers competing microprocessor product offerings for servers, workstations and desktops that are able to run existing 32-bit and 64-bit software applications. We continuously evaluate all of our product offerings and the timing of their introduction, taking into account factors such as customer requirements, availability of infrastructure to take advantage of product performance, and maturity of applications software for each type of processor in the relevant market segments.

Our desktop processors compete with products offered by AMD, IBM and VIA, among others. Our mobile microprocessor products compete with products offered by AMD, IBM, Transmeta Corporation and VIA, among others. Our server processors compete with software-compatible products offered by AMD and with products based on rival architectures, including those offered by Hewlett-Packard Company, IBM and Sun Microsystems, Inc. Our chipsets compete in the various market segments against different types of chipsets that support either our microprocessor products or rival microprocessor products. Competing chipsets are produced by companies such as ATI Technologies, Inc., Broadcom, NVIDIA, Silicon Integrated Systems Corporation (SIS) and VIA. We also compete with companies offering graphics components and other special-purpose products used in the desktop, mobile and server market segments. One aspect of our business model is to incorporate higher performance and advanced properties into the microprocessor and chipset, the demand for which may increasingly be affected by competition from companies, such as ATI and NVIDIA, whose business models are based on incorporating performance into chipsets and other components, such as graphics controllers.

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Intel Communications Group

Within ICG, we are focused on developing component-level products for the wireless handheld computing and communications market segments. We also are developing products that we believe will help continue to build out the Internet

Component-level products for the wireless handheld computing and communications market segments include flash memory products, application processors and cellular baseband chipsets. In our various market segments, our products currently compete with the products of other companies, such as QUALCOMM, Samsung Electronics Co., Ltd., Spansion LLC (a subsidiary of AMD), STMicroelectronics NV and Texas Instruments Incorporated. The megabit demand of the products that make use of flash memory is increasing, and our NOR flash memory products face increased competition from companies that manufacture NAND flash memory products, as OEMs look for opportunities to use NAND flash memory products with additional random access memory or in combination with NOR flash memory for executable-code applications. Various digital cellular technologies are used throughout the cellular communications industry, including but not limited to GSM (Global System for Mobile Communications), GPRS (General Packet Radio Service), CDMA (Code Division Multiple Access) and WCDMA (Wideband CDMA). Our ability to compete successfully with our cellular baseband chipsets is dependent on having products available for the most prevalent or widely adopted digital cellular technology. Our current product offerings are for use in cell phones and PDAs that incorporate the GSM/GPRS cellular technologies. Our products planned for release in 2005 will be targeted for the WCDMA as well as GSM/GPRS cellular technologies

In support of the build-out of the Internet, we offer products designed for wired and wireless connectivity; for the communications infrastructure, including network and embedded processors; and for networked storage. In these areas, we face competition from both established and emerging companies. Our products currently compete against offerings from companies such as Applied Micro Circuits Corporation, Atheros Communications, Broadcom, Freescale Semiconductor, Inc., IBM, Marvell Technology Group Ltd. and Texas Instruments. We cannot predict whether our networking and communications products will continue to compete successfully with those of our existing competitors or new market entrants.

Acquisitions and Strategic Investments

Our level of new acquisition and strategic investment activity for 2004 and 2003 was substantially lower than in prior years. During 2004, we completed one acquisition for net cash consideration of approximately $33 million, plus certain liabilities. In addition, we entered into certain arrangements in 2004 related to the hiring of a group of employees that resulted in the recording of workforce-in-place of $28 million in other acquisition-related intangibles within other assets on our balance sheet

Under our Intel Capital program, we make equity investments in companies around the world to further our strategic objectives and support our key business initiatives. The Intel Capital program generally focuses on investing in companies and initiatives to stimulate growth in the digital economy, create new business opportunities for Intel and expand global markets for our products. The investments may support, among other things, Intel product initiatives, emerging trends in the technology industry or worldwide Internet deployment. This strategic investment program helps advance our overall mission to be the preeminent supplier of building blocks to the worldwide digital economy. Many of our investments are in private companies, including development-stage companies with little or no revenue from current product offerings

We invest in companies that develop software, hardware or services supporting our technologies. Our current investment focus areas include enabling mobile wireless devices, helping to advance the digital home, enhancing the digital enterprise, advancing high-performance communications infrastructures and developing the next generation of silicon production technologies. Our focus areas tend to develop and change over time due to rapid advancements in technology.

Intellectual Property and Licensing

Intellectual property rights that apply to our various products and services include patents, copyrights, trade secrets, trademarks and maskwork rights. We maintain an active program to protect our investment in technology by attempting to ensure respect for our intellectual property rights. The extent of the legal protection given to different types of intellectual property rights varies under different countries' legal systems. We intend to license our intellectual property rights where we can obtain adequate consideration. See "Competition" in Part I, Item 1 of this Form 10-K

We have filed and obtained a number of patents in the U.S. and abroad. While our patents are an important element of our success, our business as a whole is not materially dependent on any one patent. We and other companies in the computing, telecommunications and related high-technology fields typically apply for and receive, in the aggregate, tens of thousands of patents annually in the U.S. and other countries. We believe that the duration of the applicable patents we are granted is adequate relative to the expected lives of our products. Because of the fast pace of innovation and product development, our products are often obsolete before the patents related to them expire, and sometimes are obsolete before the patents related to them are even granted. As we expand our product offerings into new industries, such as consumer electronics, we also seek to extend our patent development efforts to patent such product offerings. Established competitors in these industries, and companies that purchase and enforce patents and other intellectual property, may already have patents covering similar products. There is no assurance that we will be able to obtain patents covering our own products, or that we will be able to obtain licenses from such companies on favorable terms or at all.

Much of the software we distribute, including software embedded in our component and system-level products, is entitled to copyright protection. Under some circumstances, we may require our customers to obtain a software license before we provide them with that software.

To distinguish genuine Intel products from our competitors' products, we have obtained certain trademarks and trade names for our products, and we maintain cooperative advertising programs with certain customers to promote our brands and identify products containing genuine Intel components.

We also protect certain details about our processes, products and strategies as trade secrets, keeping confidential the information that we believe provides us with a competitive advantage. We have ongoing programs designed to maintain the confidentiality of such information.

Our ability to enforce our patents, copyrights, software licenses and other intellectual property is subject to general litigation risks, as well as uncertainty as to the enforceability of various intellectual property rights in various countries. When we seek to enforce our rights, we are often subject to claims that the intellectual property right is invalid, is otherwise not enforceable or is licensed to the party against whom we are asserting a claim. In addition, our assertion of intellectual property rights often results in the other party seeking to assert alleged intellectual property rights of its own against us. Like many companies in the semiconductor and other high-technology industries, we receive claims that we may be infringing others' intellectual property rights from competitors and companies that purchase and enforce patents and other intellectual property. In addition, our sales agreements often include intellectual property indemnities, such as patent and copyright indemnities, and our customers may assert claims against us for indemnity when they receive claims alleging that our customers' products infringe others' intellectual property rights. When we receive such claims, we refer them to our legal counsel, and current claims are in various stages of evaluation and negotiation. If we determine that it is necessary or desirable, we may seek licenses for certain intellectual property rights. However, we can give no assurance that we will be able to obtain licenses from any claimant, or that we can accept the terms of any offered licenses. Further, we are not able to resolve every dispute without litigation, which is typically time-consuming and expensive. If we are not ultimately successful in defending ourselves against these claims in litigation, we may not be able to sell a particular product or family of products due to an injunction, or we may have to pay material amounts of damages. See "Legal Proceedings" in Part I, Item 3 of this Form 10-K.

Compliance with Environmental, Health and Safety Regulations

Intel is committed to achieving high standards of environmental quality and product safety, and strives to provide a safe and healthy workplace for our employees, our contractors and the communities in which we do business. We have environmental, health and safety (EHS) policies and expectations that are applied to our global operations. Each of Intel's worldwide manufacturing and assembly and test sites is certified to the International Organization for Standardization (ISO) 14001 environmental management system standard, which requires that a broad range of environmental processes and policies be in place to minimize environmental impact, maintain compliance with environmental regulations and communicate effectively with interested stakeholders. Intel's internal environmental auditing program includes not only compliance components, but also modules on business risk, environmental excellence and management systems. We have internal processes that focus on minimizing and properly managing hazardous materials used in our facilities and products. We monitor regulatory and resource trends and set company-wide short- and long-term performance targets for key resources and emissions. These targets address several parameters, including energy and water use, climate change, waste recycling and emissions. Intel remains on track to achieve our voluntary commitment to reduce emissions of certain global warming gases by 10% from 1995 levels by 2010. Due to Intel's increase in manufacturing since 1995, this equates to an actual reduction in 2004 of more than 90% from what Intel would have emitted without the voluntary reduction. In 2004, the company took several actions to further its global energy reduction goal, including investing in energy conservation projects that we expect will result in energy cost savings and reductions in electricity, natural gas and water use.

All Intel desktop processors produced in 2004 were capable of taking advantage of the advanced energy-saving features of the Instantly Available PC platform, which makes it possible to have a high-performance, feature-rich PC that is power efficient when both active and idle, and remains connected to a network even when powered off. Similarly, the Intel Pentium M processor and Intel Centrino mobile technology processors were designed specifically for notebook performance and include a variety of energy-saving features such as:

- Enhanced Intel SpeedStep technology, which enables the processor to step down to a lower voltage and frequency as the workload drops, conserving battery power;

- the ability to turn off parts of the processor's high-speed memory when not needed, resulting in an overall reduction in platform power consumption; and

- lower power consumption in the LCD panel and voltage regulator, which together consume 40% to 50% of platform power

Intel has also moved to improve the energy efficiency of desktop system power supplies by issuing new energy-efficiency targets as part of our Power Supply Design Guidelines. Power supply efficiencies for desktop computers improved in 2004. We worked with industry peers and the U.S. Environmental Protection Agency's Energy Star* program to integrate Intel power supply efficiency requirements into new Energy Star specifications for desktop computers. Intel also is working with other vendors, industry groups and research institutions to develop energy-efficient power supplies.

The manufacture, assembly and testing of Intel products require the use of hazardous materials that are subject to a broad array of EHS laws and regulations. Intel actively reviews what hazardous materials are used in the manufacture, assembly and testing of our products, particularly materials that end up in the final product. Intel has developed specific restrictions for the use of hazardous materials in our products, as well as those of our suppliers and outsourced manufacturers and subcontractors. Intel's proactive efforts to reduce the use of hazardous substances have positioned us well to meet environmental restrictions on product content throughout the world, such as the Restriction on Hazardous Substances (RoHS) directive in the European Union. The RoHS directive eliminates most uses of lead, cadmium, hexavalent-chromium, mercury and certain fire retardants in electronics placed on the market after July 1, 2006. If this directive were in effect today, it would impact about 85% of Intel products due to the current use of tin-lead solders. Intel published its lead-free product road map in April 2004, and we already manufacture and ship some products that are RoHS compliant. By the end of 2004, the company shipped several million RoHS-compliant flash products as well as our first RoHS-compliant CPUs.

As Intel continues to advance process technology, the materials, technologies and products themselves become increasingly complex. Our evaluations of new materials for use in R&D, manufacturing, and assembly and test take into account EHS considerations and are a component of Intel's design for EHS processes. Many new materials being evaluated for use may be subject to regulation under existing or future laws and regulations. Failure to comply with any of the applicable laws or regulations could result in fines, suspension of production, alteration of fabrication and assembly processes, curtailment of operations or sales, and legal liability. Intel's failure to properly manage the use, transportation, emission, discharge, storage, recycling or disposal of hazardous materials could subject the company to future liabilities. Existing or future laws and regulations could require Intel to procure pollution abatement or remediation equipment, modify product designs, or incur other expenses associated with the laws and regulations. In addition, restrictions on the use of certain materials in our facilities or products in the future could have a material adverse effect on our operations. Compliance with these complex laws and regulations, as well as internal voluntary programs, is integrated into our manufacturing and assembly and test processes. To our knowledge, compliance with these laws and regulations has had no material effect on our operations. We also refer to the information under the heading "Legal Proceedings" in Part I, Item 3 of this Form 10-K.

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Executive Officers of the Registrant

The following sets forth certain information with regard to the executive officers of Intel as of February 18, 2005 (ages are as of December 25, 2004):

Andrew S. Grove (age 68) has been a director of Intel since 1974 and Chairman of the Board since 1997. Dr. Grove was Chief Executive Officer from 1987 to 1998, President from 1979 to 1997 and Chief Operating Officer from 1976 to 1987.

Craig R. Barrett (age 65) has been a director of Intel since 1992 and Chief Executive Officer since 1998. Prior to that, Dr. Barrett was President from 1997 to 2002, Chief Operating Officer from 1993 to 1997 and Executive Vice President from 1990 to 1997

Paul S. Otellini (age 54) has been a director of Intel and President and Chief Operating Officer since 2002. Prior to that, Mr. Otellini was Executive Vice President and General Manager, Intel Architecture Group, from 1998 to 2002; Executive Vice President and General Manager, Sales and Marketing Group, from 1996 to 1998; and Senior Vice President and General Manager, Sales and Marketing Group, from 1994 to 1996

Andy D. Bryant (age 54) has been Executive Vice President and Chief Financial and Enterprise Services Officer since 2001, and was Senior Vice President and Chief Financial and Enterprise Services Officer from 1999 to 2001. Prior to that, Mr. Bryant was Senior Vice President and Chief Financial Officer in 1999, and Vice President and Chief Financial Officer from 1994 to 1999.

Sean M. Maloney (age 48) has been Executive Vice President and General Manager, Mobility Group, since January 2005. Prior to that, Mr. Maloney was Executive Vice President and General Manager, Intel Communications Group, from 2001 to January 2005; Executive Vice President and Director, Sales and Marketing Group, in 2001; Senior Vice President and Director, Sales and Marketing Group, from 1999 to 2001; Vice President and Director, Sales and Marketing Group, from 1998 to 1999; and Vice President, Sales, and General Manager, Asia–Pacific Operations, from 1995 to 1998.

Robert J. Baker (age 49) has been Senior Vice President and General Manager, Technology and Manufacturing Group, since 2001, and was Vice President and General Manager, Components Manufacturing, from 2000 to 2001. Prior to that, Mr. Baker managed Fab Sort Manufacturing from 1999 to 2000 and Microprocessor Components Manufacturing from 1996 to 1999.

Sunlin Chou (age 58) has been Senior Vice President and General Manager, Technology and Manufacturing Group, since 1998. Mr. Chou was Vice President, Technology and Manufacturing Group, from 1988 to 1998

Patrick P. Gelsinger (age 43) has been Senior Vice President and General Manager, Digital Enterprise Group, since January 2005. Prior to that, Mr. Gelsinger was Chief Technology Officer from 2001 to January 2005; Chief Technology Officer, Computing Group, from 2000 to 2001; and Vice President and General Manager, Desktop Products Group, from 1996 to 2000

Arvind Sodhani (age 50) has been Senior Vice President and Treasurer since February 2005, and was Vice President and Treasurer from 1990 to February 2005.

Anand Chandrasekher (age 41) has been Vice President and Director, Sales and Marketing Group, since January 2005. Prior to that, Mr. Chandrasekher was Vice President and General Manager, Mobile Platforms Group, from 2001 to January 2005; Vice President and General Manager, Intel Architecture Marketing Group, from 2000 to 2001; and Vice President and General Manager, Workstation Platforms Group, from 1997 to 2000

John H. F. Miner (age 49) has been a Vice President of Intel Corporation and President of Intel Capital since 2003, and was Vice President and General Manager of Intel Capital from 2002 to 2003. Prior to that, Mr. Miner was Vice President, New Business Group, from 2001 to 2003; and Vice President and General Manager, Communications Products Group, from 1999 to 2001.

David Perlmutter (age 51) has been Vice President and General Manager, Mobility Group, since January 2005. Prior to that, Mr. Perlmutter was Vice President and General Manager, Mobile Platforms Group, from 2000 to January 2005; and Vice President, Microprocessor Group, and General Manager, Basic Microprocessor Division and Intel Israel Development Center, from 1996 to 2000

D. Bruce Sewell (age 45) has been Vice President and General Counsel since November 2004, and was Vice President, Legal and Government Affairs and Deputy General Counsel from 2001 to November 2004. Prior to that, Mr. Sewell served in a variety of senior legal positions at Intel from 1995 to 2001.

Abhijit Y. Talwalkar (age 40) has been Vice President and General Manager, Digital Enterprise Group, since January 2005. Prior to that, Mr. Talwalkar was Vice President and General Manager, Enterprise Platforms Group, from 2004 to January 2005; Vice President and General Manager, Platform Products Group, from 2002 to 2004; Assistant Vice President, Enterprise Platforms Group, from 2001 to 2002; and Vice President and General Manager, Enterprise Platforms and Solutions Division, from 1999 to 2001

On November 11, 2004, the company announced that the Board of Directors elected Paul S. Otellini as President and Chief Executive Officer, and Craig R Barrett as Chairman of the Board, effective as of completion of the Annual Stockholders' Meeting scheduled for May 2005. Andrew S Grove will not stand for reelection as a director at the May Annual Stockholders' Meeting.

Corporate Governance

Corporate governance is typically defined as the system that allocates duties and authority among a company's stockholders, board of directors and management The stockholders elect the board and vote on extraordinary matters; the board is the company's governing body, responsible for hiring, overseeing and evaluating management, particularly the Chief Executive Officer (CEO); and management runs the company's day-to-day operations. The Board believes that there should be a substantial majority of independent directors on the Board The Board also believes that it is useful and appropriate to have members of management, including the Chief Executive Officer, as directors.

The Board's general policy, based on experience, is that the positions of Chairman of the Board and Chief Executive Officer should be held by separate persons to aid in the Board's oversight of management In addition, the Board has an independent director designated as the Lead Independent Director, who is responsible for coordinating the activities of the other independent directors and performs various other duties. The general authority and responsibilities of the Lead Independent Director are established in a written charter adopted by the Board.

The current Board members include eight independent directors and three members of Intel's senior management The Board members are Craig R. Barrett, Intel's Chief Executive Officer; Ambassador Charlene Barshefsky, Senior International Partner at the Wilmer Cutler Pickering Hale and Dorr LLP law firm; E. John P. Browne, Group Chief Executive of BP plc; Andrew S. Grove, Intel's Chairman of the Board; D. James Guzy, Chairman of Arbor Company; Reed E Hundt, Principal, Charles Ross Partners; Paul S. Otellini, Intel's President and Chief Operating Officer; David S. Pottruck, Managing Director, The Pottruck Group; Jane E. Shaw, Chairman and Chief Executive Officer of Aerogen, Inc ; John L. Thornton, Professor and Director of Global Leadership at Tsinghua University, Beijing, China; and David B Yoffie, Professor of International Business Administration, Harvard Business School The Board also has one Director Emeritus, Gordon E. Moore, who may participate in Board meetings but does not vote.

Director Vacancy in 2005. In November 2004, Intel announced that Andrew S Grove, Chairman of the Board, would not stand for reelection in May 2005; that Craig R. Barrett would succeed Dr Grove as Chairman effective following the 2005 Annual Meeting; and that Paul S. Otellini would succeed Dr Barrett as Chief Executive Officer at the same time The Board presently expects to keep the total number of directors at 11, and the Board's Corporate Governance and Nominating Committee is considering possible candidates for the Board seat to be vacated by Dr. Grove The Board has not yet chosen a candidate, and if it has not done so prior to distribution of the Proxy Statement for Intel's 2005 Annual Stockholders' Meeting, the Board may act to temporarily reduce the size of the Board to 10 directors effective with the Annual Meeting In that circumstance, it is the expectation of the Board that it will identify a director candidate later in 2005 and that the Board will act to expand the Board again to 11 directors at that time and to elect that person to the Board The company will make a public announcement if and when that event occurs

"Independent" Directors Each of the company's directors other than Messrs. Grove, Barrett and Otellini qualify as "independent" in accordance with the published listing requirements of The NASDAQ Stock Market (NASDAQ)* The NASDAQ independence definition includes a series of objective tests, such as that the director is not an employee of the company and has not engaged in various types of business dealings with the company. In addition, as further required by the NASDAQ rules, the Board of Directors has made an affirmative determination as to each independent director that no relationships exist which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director In making these determinations, the Board reviewed and discussed information provided by the directors and the company with regard to each director's business and personal activities as they may relate to Intel and Intel's management

In addition, the members of the Audit Committee of the Board also each qualify as "independent" under special standards established by the U.S. Securities and Exchange Commission (SEC) for members of audit committees, and the Audit Committee includes at least one member who is determined by the Board to meet the qualifications of an "audit committee financial expert" in accordance with SEC rules, including that the person meets the relevant definition of an "independent" director. E John P. Browne is the independent director who has been determined to be an audit committee financial expert Stockholders should understand that this designation is a disclosure requirement of the SEC related to Mr. Browne's experience and understanding with respect to certain accounting and auditing matters. The designation does not impose on Mr. Browne any duties, obligations or liability that are greater than are generally imposed on him as a member of the Audit Committee and Board of Directors, and his designation as an audit committee financial expert pursuant to this SEC requirement does not affect the duties, obligations or liability of any other member of the Audit Committee or Board of Directors

Board Responsibilities and Structure. The primary responsibilities of the Board of Directors are oversight, counseling and direction to Intel's management in the long-term interests of Intel and its stockholders. The Board's detailed responsibilities include: (a) selecting, regularly evaluating the performance of, and determining the compensation of the Chief Executive Officer and other senior executives; (b) planning for succession with respect to the position of Chief Executive Officer and monitoring management's succession planning for other senior executives; (c) reviewing and, where appropriate, approving Intel's major financial objectives, strategic and operating plans and actions; (d) overseeing the conduct of Intel's business to evaluate whether the business is being properly managed; and (e) overseeing the processes for maintaining Intel's integrity with regard to its financial statements and other public disclosures and compliance with law and ethics. The Chief Executive Officer, working with Intel's other executive officers, has the authority and responsibility for managing Intel's business in a manner consistent with Intel's standards and practices, and in accordance with any specific plans, instructions or directions of the Board. The Chief Executive Officer and management are responsible for seeking the advice and, in appropriate situations, the approval of the Board with respect to extraordinary actions to be undertaken by Intel.

The Board and its committees meet throughout the year on a set schedule, and also hold special meetings and act by written consent from time to time as appropriate. Board agendas include regularly scheduled sessions for the independent directors to meet without management present, and the Board's Lead Independent Director leads those sessions. The Board has delegated various responsibilities and authority to different Board committees as generally described below. Committees regularly report on their activities and actions to the full Board. Board members have access to all Intel employees outside of Board meetings, and the Board has a program that encourages each director to visit different Intel sites and events worldwide on a regular basis and meet with local management at those sites and events.

Board Committees and Charters. The Board currently has, and appoints the members of, standing Audit, Compensation, Corporate Governance and Nominating, Executive and Finance Committees. Each member of the Audit, Compensation, and Corporate Governance and Nominating Committees is an independent director in accordance with NASDAQ standards described above. Each of the Board committees has a written charter approved by the Board. Copies of each charter, as well as the charter describing the position of Lead Independent Director, are posted on the company's web site at *www.intc.com* under the "Corporate Governance and Social Responsibility" section.

The Audit Committee assists the Board in its general oversight of Intel's financial reporting, internal controls and audit functions, and is directly responsible for the appointment, retention, compensation and oversight of the work of Intel's independent auditors.

The Compensation Committee reviews and determines salaries, equity incentives and other matters relating to executive compensation, and administers Intel's stock option plans, including reviewing and granting stock options to executive officers. The Compensation Committee also reviews and approves various other company compensation policies and matters.

The Corporate Governance and Nominating Committee reviews and reports to the Board on a periodic basis with regard to matters of corporate governance, and determines the compensation to be paid to non-employee directors. The Board has adopted a set of Guidelines on Significant Corporate Governance Issues, which are posted on the company's web site at *www.intc.com* under the "Corporate Governance and Social Responsibility" section. The Corporate Governance and Nominating Committee reviews and assesses the effectiveness of the Guidelines, makes recommendations to the Board regarding proposed revisions to the Guidelines, and makes recommendations to the Board regarding the size and composition of the Board. In addition, the Corporate Governance and Nominating Committee makes recommendations to the Board regarding the agenda for Intel's annual stockholders' meetings, reviews stockholder proposals and makes recommendations to the Board for action on such proposals.

The Corporate Governance and Nominating Committee is also responsible for reviewing with the Board, from time to time, the appropriate skills and characteristics required of Board members in the context of the current makeup of the Board. This assessment includes issues of diversity in numerous factors such as age; understanding of and experience in manufacturing, technology, finance and marketing; and international experience and culture. These factors, and others as considered useful by the Committee, are reviewed in the context of an assessment of the perceived needs of the Board at a particular point in time. As a result, the priorities and emphasis of the Committee and of the Board may change from time to time to take into account changes in business and other trends, and the portfolio of skills and experience of current and prospective Board members. The Corporate Governance and Nominating Committee establishes procedures for the nomination process, recommends candidates for election to the Board and also nominates officers for election by the Board. Consideration of new Board nominee candidates typically involves a series of internal discussions, review of information concerning candidates and interviews with selected candidates. Candidates for nomination to the Board typically are suggested by Board members or employees. In 2004, the company did not employ a search firm or pay fees to other third parties in connection with seeking or evaluating Board nominee candidates. The Corporate Governance and Nominating Committee will

consider a candidate proposed by stockholders, and has from time to time received unsolicited candidate proposals from stockholders. Candidates proposed by stockholders are evaluated by the Committee using the same criteria as for other candidates. As described above, the Corporate Governance and Nominating Committee is currently engaged in the consideration of candidates for the Board to succeed to the seat currently held by Dr. Grove.

The Corporate Governance and Nominating Committee also reviews and reports to the Board on a periodic basis with regard to matters of corporate social responsibility performance, such as environmental, workplace or stakeholder issues, as appropriate, and the company's public reporting with regard to these topics. We view our reputation and standing as a socially responsible corporate citizen as important and employ processes and management systems to seek to maintain that standing. We direct corporate responsibility efforts across a global network of Intel organizations. We maintain community advisory panels at many of our operating sites and monitor external trends. We proactively engage with other stakeholders, including socially responsible investors, policy-setting bodies and non-governmental organizations, to communicate Intel's views and understand their priorities. Intel voluntarily publishes an annual Global Citizenship Report in accordance with the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines. That report, in addition to other voluntary disclosures, can be found on the company's web site at *www intc com* under the "Corporate Governance and Social Responsibility" section.

The Executive Committee may exercise the authority of the Board between Board meetings, except to the extent that the Board has delegated authority to another committee or to other persons, and except as limited by Delaware law.

The Finance Committee reviews and recommends matters related to Intel's capital structure, including the issuance of debt and equity securities; Intel's dividend policy and dividend declarations; banking arrangements, including investment of corporate cash; and management of the corporate debt structure. In addition, the Finance Committee reviews and approves structured finance and other cash management transactions whose authorization is not otherwise approved by the Board or delegated to Intel's management.

Board members also sit on the Investment Policy Committee for Intel's U.S. employee retirement plans. This committee includes Intel management representatives, and is responsible for adopting and amending investment policies as well as selecting and monitoring service providers for the plans. The committee also selects the investment alternatives offered under Intel's 401(k) Savings Plan.

Attendance at Board, Committee and Annual Stockholders' Meetings All directors are expected to attend each meeting of the Board and the committees on which he or she serves, and are also expected to attend the Annual Stockholders' Meeting. A list of Board committees and Board committee members will be available in Intel's Proxy Statement relating to its 2005 Annual Stockholders' Meeting.

The Board does not have a formal policy that limits the number of board seats held by an independent director, but the Board's guideline of 100% attendance at meetings reflects the Board's expectation that each director will meet his or her commitments to the position. The time commitments of directors vary substantially with regard to their individual involvement with their primary positions and commercial, charitable and other organizations. The Board believes that a limitation on board seats held by a director will not adequately express the key functional point about the director's time commitment to Intel.

Intel has a policy, and an approval process, that generally limits each employee to serving on no more than one company board as a personal, non-Intel activity. The approval process considers both the time commitment involved and the potential for business conflicts between Intel and the other company. This policy is applicable to Intel's three management directors and its other officers.

Stock Ownership Guidelines Directors and officers are encouraged to be stockholders of the company through their participation in the company's stock option and employee stock participation plans. Stock ownership guidelines have been established by the Board of Directors for independent directors and corporate officers to better ensure that they each maintain an equity stake in the company, and by doing so appropriately link their interests with those of the other stockholders. These guidelines provide that, within a five-year period following appointment or election, the covered individuals should attain and hold an investment position (not including unexercised stock options) of no less than a specified number of shares of Intel stock (for officers, approximating three to five times the sum of their base salary and annual incentive target, depending on the individual's scope of responsibilities, and a similar guideline for independent directors). Directors and officers may not invest in (purchase or otherwise receive, or write) derivatives of Intel securities, e g , puts and calls on Intel securities (with limited exceptions) or enter into any "short sales" or "short positions" with respect to Intel securities. A short position is one in which the person will profit if the market price of Intel securities either remains the same or decreases. Intel considers it inappropriate and contrary to the interests of Intel and its stockholders for directors and officers to take investment positions when the person would obtain a personal benefit in such a case.

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ITEM 2. PROPERTIES

At December 25, 2004, we owned the major facilities described below (square feet in millions):

No. of Bldgs.	Location	Total Sq. Ft.	Use
123	United States[A]	27.2	Executive and administrative offices, wafer fabrication, research and development, sales and marketing, computer and service functions, and warehousing.
9	Ireland	3.1	Wafer fabrication, warehousing and administrative offices.
12	Malaysia[B]	2.3	Components assembly and testing, boards and systems manufacturing, research and development, warehousing and administrative offices.
16	Israel[C]	2.0	Wafer fabrication, research and development, warehousing and administrative offices.
5	Philippines[D]	1.4	Components assembly and testing, warehousing, administrative offices, and research and development.
5	China[E]	0.9	Components assembly and testing, research and development, and administrative offices.
4	Costa Rica	0.9	Components assembly and testing, warehousing and administrative offices.
2	India[F]	0.5	Sales and marketing, research and development, and administrative offices.
1	United Kingdom	0.2	Sales and marketing and administrative offices.
3	Japan	0.2	Sales and marketing and administrative offices.
1	Germany	0.1	Sales and marketing and administrative offices.

(A) *Lease on portion of the land used for these facilities expires in 2023.*

(B) *Leases on portions of the land used for these facilities expire in 2033 through 2059.*

(C) *Leases on portions of the land used for these facilities expire in 2039 through 2045.*

(D) *Leases on portions of the land used for these facilities expire in 2046.*

(E) *Leases on portions of the land used for these facilities expire in 2046 through 2053.*

(F) *Lease on portion of the land used for these facilities expires in 2009.*

As of December 25, 2004, we also leased 57 major facilities in the U.S. totaling approximately 2.4 million square feet and 61 facilities in other countries totaling approximately 2.8 million square feet. These leases expire at varying dates through 2021 and include renewals at our option. Leased facilities in the U.S. decreased during 2004, primarily due to the expiration or termination of leases on facilities no longer needed, while leased facilities in other countries increased due to expanded operations in certain locations. We are seeking to sublease approximately 0.5 million square feet of building space. We believe that our existing facilities are suitable and adequate for our present purposes, and that, except as we have discussed above, the productive capacity in such facilities is substantially being utilized or we have plans to utilize it. We also have approximately 0.7 million square feet of building space in various international sites under construction for assembly and testing and research and development purposes. For information regarding environmental proceedings related to certain facilities, see "Legal Proceedings" in Part I, Item 3 of this Form 10-K.

We do not identify or allocate assets or depreciation by operating segment. For information on net property, plant and equipment by country, see "Note 19: Operating Segment and Geographic Information" in Part II, Item 8 of this Form 10-K.

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ITEM 3. LEGAL PROCEEDINGS

A. Tax Matters

In August 2003, in connection with the U.S Internal Revenue Service's (IRS's) regular examination of Intel's tax returns for the years 1999 and 2000, the IRS proposed certain adjustments primarily related to the amounts reflected by Intel on these returns as a tax benefit for its export sales. In January 2005, the IRS issued formal assessments for these adjustments. The company does not agree with these adjustments and intends to appeal these assessments. If the IRS prevails in its position, Intel's federal income tax due for these years would increase by approximately $600 million, plus interest. The IRS may make similar claims for years subsequent to 2000 in future audits

Although the final resolution of the adjustments is uncertain, based on currently available information, management believes that the ultimate outcome will not have a material adverse effect on the company's financial position, cash flows or overall trends in results of operations. There is the possibility of a material adverse impact on the results of operations of the period in which the matter is ultimately resolved, if it is resolved unfavorably, or in the period in which an unfavorable outcome becomes probable and reasonably estimable

B. Litigation

Intel currently is a party to various legal proceedings, including those noted below. While management presently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on our financial position, cash flows or overall trends in results of operations, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include money damages or, in cases for which injunctive relief is sought, an injunction prohibiting Intel from selling one or more products. Were an unfavorable ruling to occur, there exists the possibility of a material adverse impact on the net income of the period in which the ruling occurs or future periods

MicroUnity, Inc. v. Intel Corporation, et al
U.S. District Court, Eastern District of Texas

In March 2004, MicroUnity, Inc. filed suit against Intel and Dell Inc. in the Eastern District of Texas. MicroUnity claims that Intel® Pentium® III, Pentium® 4, Pentium® M and Itanium® 2 microprocessors infringe seven MicroUnity patents, and that certain Intel chipsets infringe one MicroUnity patent. MicroUnity also alleges that Dell products that contain these Intel products infringe the same patents. At Dell's request, Intel agreed to indemnify Dell with respect to MicroUnity's claims against Dell, subject to the terms of a prior agreement between Intel and Dell. MicroUnity seeks an injunction, unspecified damages and attorneys' fees against both Intel and Dell. Intel disputes MicroUnity's claims and intends to defend the lawsuit vigorously.

Barbara Sales, et al. v. Intel Corporation, Gateway Inc., Hewlett-Packard Co. and HPDirect, Inc
(formerly Deanna Neubauer, et al. v. Intel Corporation, Gateway Inc., Hewlett-Packard Co. and HPDirect, Inc.)
Third Judicial Circuit Court, Madison County, Illinois

In June 2002, various plaintiffs filed a lawsuit in the Third Judicial Circuit Court, Madison County, Illinois, against Intel, Gateway Inc., Hewlett-Packard Company and HPDirect, Inc., alleging that the defendants' advertisements and statements misled the public by suppressing and concealing the alleged material fact that systems containing Intel Pentium 4 microprocessors are less powerful and slower than systems containing Intel Pentium III microprocessors and a competitor's microprocessors. In July 2004, the Court certified against Intel an Illinois-only class of certain end use purchasers of certain Pentium 4 microprocessors or computers containing such microprocessors. The Court denied plaintiffs' motion for reconsideration of this ruling. In January 2005, the Court granted a motion filed jointly by the plaintiffs and Intel that stayed the proceedings in the trial court pending discretionary appellate review of the Court's class certification order. The plaintiffs and Intel thereafter filed a joint application for discretionary appeal of the trial court's class certification ruling. The plaintiffs seek unspecified damages, and attorneys' fees and costs. Intel disputes the plaintiffs' claims and intends to defend the lawsuit vigorously

Japan Fair Trade Commission Investigation

In April 2004, the Japanese Fair Trade Commission (JFTC) commenced an investigation into the sales and marketing activities of Intel's Japanese subsidiary, including whether Intel's Japanese subsidiary unfairly influenced Japanese computer makers to use Intel microprocessors instead of microprocessors sold by competitors. The JFTC is reviewing documents and information from Intel and others and has been conducting interviews. Intel understands that the JFTC may make a decision regarding whether, and how, to proceed during the first quarter of 2005. Intel is cooperating with the JFTC in the investigation.

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C. Environmental Proceedings

Intel has been named to the California and U.S. Superfund lists for three of our sites and has completed, along with two other companies, a Remedial Investigation/Feasibility study with the U.S. Environmental Protection Agency (EPA) to evaluate the groundwater in areas adjacent to one of our former sites The EPA has issued a Record of Decision with respect to a groundwater cleanup plan at that site, including expected costs of completion. Under the California nd U.S. Superfund statutes, liability for cleanup of this site and the adjacent area is joint and several Intel, however, has reached agreement with those same two companies that significantly limits Intel's liabilities under the proposed cleanup plan. Also, we have completed extensive studies at our other sites, and we are engaged in cleanup at several of these sites In the opinion of management, the potential losses to the company in excess of amounts already accrued arising out of these matters would not have a material adverse effect on the company's financial position or overall trends in results of operations, even if joint and several liability were to be assessed.

The estimate of the potential impact on the financial position, cash flows or overall results of operations for the above tax matters and legal and environmental proceedings could change in the future.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Information regarding the market price range of Intel common stock and dividend information may be found in "Financial Information by Quarter (Unaudited)" in Part II, Item 8 on page 80 of this Form 10-K. Additional information concerning dividends may be found in the following sections of this Form 10-K: "Selected Financial Data" in Part II, Item 6 and "Consolidated Statements of Cash Flows" and "Consolidated Statements of Stockholders' Equity" in Part II, Item 8.

In each quarter during 2004, we paid a cash dividend of $0.04 per common share, for a total of $0.16 for the year ($0.02 each quarter during 2003 for a total of $0.08 for the year). We have paid a cash dividend in each of the past 49 quarters. On February 2, 2005, our Board of Directors declared a cash dividend of $0.08 per common share for the first quarter of 2005. The dividend is payable on March 1, 2005 to stockholders of record on February 7, 2005.

As of January 28, 2005, there were approximately 230,000 registered holders of record of Intel's common stock. A substantially greater number of holders of Intel common stock are "street name" or beneficial holders, whose shares are held of record by banks, brokers and other financial institutions.

suer Purchases of Equity Securities

Period (Shares in Millions)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares That May Yet Be Purchased Under the Plans
September 26, 2004–October 23, 2004	13.3	$20.73	13.3	189.2
October 24, 2004–November 20, 2004	58.4	$22.41	58.4	630.8
November 21, 2004–December 25, 2004	17.3	$24.10	17.3	613.5
Total	**89.0**	**$22.48**	**89.0**	

The company has an ongoing authorization, as amended, from the Board of Directors to repurchase shares of Intel's common stock in the open market or in negotiated transactions. The company's authorization is for up to 2.8 billion shares, which includes the most recent authorization in November 2004 to purchase an additional 500 million shares. We generally do not purchase stock during the "quiet periods" we have established in advance of the publication of our quarterly Earnings Release and Business Update release. For a discussion of our quiet periods, see "Status of Business Outlook and Related Risk Factor Statements" in Part II, Item 7 on page 42 of this Form 10-K.

ITEM 6. SELECTED FINANCIAL DATA

Ten Years Ended December 25, 2004

(In Millions)	Net Revenue	Gross Margin	Research & Development	Operating Income	Net Income
2004	$ 34,209	$ 19,746	$ 4,778	$ 10,130	$ 7,516
2003	$ 30,141	$ 17,094	$ 4,360	$ 7,533	$ 5,641
2002	$ 26,764	$ 13,318	$ 4,034	$ 4,382	$ 3,117
2001	$ 26,539	$ 13,052	$ 3,796	$ 2,256	$ 1,291
2000	$ 33,726	$ 21,076	$ 3,897	$ 10,395	$ 10,535
1999	$ 29,389	$ 17,553	$ 3,111	$ 9,767	$ 7,314
1998	$ 26,273	$ 14,185	$ 2,509	$ 8,379	$ 6,068
1997	$ 25,070	$ 15,125	$ 2,347	$ 9,887	$ 6,945
1996	$ 20,847	$ 11,683	$ 1,808	$ 7,553	$ 5,157
1995	$ 16,202	$ 8,391	$ 1,296	$ 5,252	$ 3,566

(In Millions—Except Per Share Amounts)	Basic Earnings Per Share†	Diluted Earnings Per Share†	Weighted Average Diluted Shares Outstanding	Dividends Declared Per Share	Dividends Paid Per Share	Net Investment in Property, Plant & Equipment
2004	$ 1.17	$ 1.16	6,494	$ .160	$ .160	$ 15,768
2003	$ 0.86	$ 0.85	6,621	$ .080	$ .080	$ 16,661
2002	$ 0.47	$ 0.46	6,759	$ .080	$ .080	$ 17,847
2001	$ 0.19	$ 0.19	6,879	$ .080	$ .080	$ 18,121
2000	$ 1.57	$ 1.51	6,986	$ .070	$ .070	$ 15,013
1999	$ 1.10	$ 1.05	6,940	$ .055	$ .055	$ 11,715
1998	$ 0.91	$ 0.86	7,035	$ .025	$ .033	$ 11,609
1997	$ 1.06	$ 0.97	7,179	$ .029	$ .028	$ 10,666
1996	$ 0.78	$ 0.73	7,101	$ .024	$ .023	$ 8,487
1995	$ 0 54	$ 0 50	7,072	$ .019	$ 018	$ 7,471

(In Millions—Except Employees)	Total Assets	Long-Term Debt & Put Warrants	Stockholders' Equity	Additions to Property, Plant & Equipment	Employees at Year-End (In Thousands)
2004	$ 48,143	$ 703	$ 38,579	$ 3,843	85.0
2003	$ 47,143	$ 936	$ 37,846	$ 3,656	79.7
2002	$ 44,224	$ 929	$ 35,468	$ 4,703	78.7
2001	$ 44,395	$ 1,050	$ 35,830	$ 7,309	83.4
2000	$ 47,945	$ 707	$ 37,322	$ 6,674	86.1
1999	$ 43,849	$ 1,085	$ 32,535	$ 3,403	70.2
1998	$ 31,471	$ 903	$ 23,377	$ 4,032	64.5
1997	$ 28,880	$ 2,489	$ 19,295	$ 4,501	63.7
1996	$ 23,735	$ 1,003	$ 16,872	$ 3,024	48.5
1995	$ 17,504	$ 1,125	$ 12,140	$ 3,550	41 6

† *Amortization of goodwill reduced basic earnings per share by $0 23 in 2001. $0 19 in 2000 and $0.05 in 1999. and reduced diluted earnings per share by $0 22 in 2001, $0 18 in 2000 and $0 05 in 1999 Goodwill is no longer amortized. beginning in 2002*

In addition, the ratio of earnings to fixed charges for each of the five years in the period ended December 25, 2004 was as follows:

2004	2003	2002	2001	2000
107x	72x	32x	18x	171x

Fixed charges consist of interest expense and the estimated interest component of rent expense

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We begin Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) with Intel's overall strategy and the strategy for our major business units, to give the reader an overview of the goals of our business and the direction in which our business and products are moving. The strategy section is followed by a discussion of the Critical Accounting Estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results. Beginning on page 30, we discuss our Results of Operations for 2004 compared to 2003, and for 2003 compared to 2002, beginning with an Overview. We then provide an analysis of changes in our balance sheet and cash flows, and discuss our financial commitments in the sections entitled "Financial Condition," "Contractual Obligations" and "Off-Balance-Sheet Arrangements." On page 40, we conclude this MD&A with our "Business Outlook" section, discussing our outlook for 2005.

This MD&A should be read in conjunction with the other sections of this annual report on Form 10-K, including Part I, "Item 1: Business"; Part II, "Item 6: Selected Financial Data"; and Part II, "Item 8: Financial Statements and Supplementary Data." The various sections of this MD&A contain a number of forward-looking statements, all of which are based on our current expectations and could be affected by the uncertainties and risk factors described throughout this filing and particularly in the "Business Outlook" section. Our actual results may differ materially, and these forward-looking statements do not reflect the potential impact of any divestitures, mergers, acquisitions or other business combinations that had not been completed as of February 16, 2005.

Strategy

Our goal is to be the preeminent building block supplier to the worldwide digital economy. As part of our overall strategy to compete in each relevant market segment, we use our core competencies in the design and manufacture of integrated circuits and our financial resources, as well as our global presence and brand recognition. Our global marketing strategy is designed to associate our brands with advanced technology and innovation. In addition, under our Intel Capital program, we make equity investments in companies around the world to further our strategic objectives and support our key business initiatives.

Our primary focus is on developing advanced integrated silicon technology solutions, which we believe will provide the performance necessary to help accelerate the convergence of computing and communications capabilities with digital content. Convergence refers to combining computing and communications capabilities in an integrated product solution. We believe that convergence is occurring primarily in three areas: the digital home, the digital enterprise and with mobile Internet users. We also provide key components for networking and communications infrastructures used to connect technology users.

We believe that users of computing and communications devices want improved performance, which includes faster processing performance and/or improved capabilities such as multithreading or multitasking, lower system power consumption, seamless connectivity, improved security, reliability, ease of use and interoperability among devices. It is our goal to incorporate features addressing these capabilities in our various products to meet user demands. We also believe that our customers who build computing and communications systems and devices will benefit if our products incorporating these capabilities are based on a platform solution. We define a platform as a collection of silicon components and software designed to provide a better user solution when used in combination than if used separately. The success of our strategies to add more features to our microprocessors and offer platform solutions is dependent on our ability to select and incorporate features that customers value, and to market those features effectively.

We view technology standards as an important way to advance new technologies and foster industry infrastructures or ecosystems. We work with the industry in various areas to help establish technology standards, ultimately incorporating many of these standards into our own product offerings.

As we move to each succeeding generation of manufacturing process technology, we use less space per transistor, which enables us to fit more transistors on an equivalent size chip, decrease the size of the chip or offer an increased number of integrated features. This decrease in size can also result in faster microprocessors and semiconductor products that consume less power and/or products that cost less to manufacture.

Under our Intel Capital program, we make equity investments in companies around the world to further our strategic objectives and support our key business initiatives. The Intel Capital program generally focuses on investing in companies and initiatives to stimulate growth in the digital economy, create new business opportunities for Intel and expand global markets for our products. The investments may support, among other things, Intel product initiatives, emerging trends in the technology industry or worldwide Internet deployment. We invest in companies that develop software, hardware or services supporting our technologies. Our current investment focus areas include enabling mobile wireless devices, helping to advance the digital home, enhancing the digital enterprise, advancing high-performance communications infrastructures and developing the next generation of silicon production technologies. Our focus areas tend to develop and change over time due to rapid advancements in technology.